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STATE FOR IO/T, ISN,
ISN/MNSA - RAGSDALE, COCKERHAM, DAVIS
- ISN/NESS - STRATFORD, BURKART
- ISN/RA - NEPHEW, GROMOLL
DOE FOR S-1, S-2
- NE - MCGINNIS, CLAPPER, HERCZEG, HAN
- NA 20 - BAKER, WITTROCK
- NA24 - LERSTEN, SCHEINMAN, GOOREVICH, BRUNS
NRC FOR OIP - MDOANE, JSCHWARZMAN
ROME FOR USMISSION TO FAO

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SUBJ: IAEA: NOVEMBER 2008 BOARD WRAP-UP

Ref: A) UNVIE 633 B) UNVIE 637 C) UNVIE 635 D) UNVIE 598 E) STATE
121438

SUMMARY

¶1. (SBU) The November 27-28 Board of Governors meeting focused on nuclear verification in Syria and Iran (refs a-c) and approval of the Technical Cooperation (TC) program cycle for 2009-2011, following a contentious agreement in the preceding Technical Assistance and Cooperation Committee (TACC) on the disposition of the Syrian feasibility study project (septel). Discussion of DPRK was largely a placeholder, pending Six Party agreement on the verification protocol, with Board members expressing support for the IAEA's verification role. In addition, the Board approved Draft Safety Requirements, a funding extension for physical security at the Vienna International Center, and an Additional Protocol for Zambia. Under Any Other Business, the Board Chair's proposal for an open-ended Working Group on 20/20 recommendations met with nit-picking on the part of both OECD and G-77 countries that underlined the need for member state input and setting parameters for the process. Only Japan announced that it would make a substantial contribution to the Safeguards Analytical Laboratory, an issue parenthetically inserted on the agenda under AOB, and Norway announced its contribution to fund the IAEA fuel bank. The UK, Canada and, at our suggestion, Afghanistan also advocated the implementation of DG term limits under AOB in keeping with UN best practice and in light of the upcoming DG election. On the margins of the Board, South Africa officially delivered its nomination of Governor Minty for DG, and campaign pitches on behalf of Minty and Japanese Ambassador Amano were made under AOB. End Summary.

Agenda Item 1: DG Opening Remarks

¶2. (U) In addition to Iran (ref b), Syria (ref c) and DPRK (para 11) verification items, Director General ElBaradei provided general comments on the TC program for 2009-2011. He noted that human health remains the single largest TC sector, representing 18 percent of the program, and food and agriculture programs have also increased. The DG highlighted the Agency's role in cancer prevention (44 countries requesting assistance under the Program of Action for Cancer Therapy (PACT) and the launch of a WHO/IAEA Joint Project on Cancer Control) and Mexico's successful use of the Sterile Insect Technique. The Agency further anticipated a

four-fold increase in number of TC projects for 2009-2011 focused on introduction of nuclear power. Assistance in this domain covered the entire process to ensure solid infrastructure with high levels of safety, security and non-proliferation. The DG noted the Draft Safety Requirements and an Integrated Regulatory Review Service Mission in Spain that incorporated, for the first time, a security component. Under nuclear verification, he observed that Zambia's conclusion of an Additional Protocol (AP) would bring the number of APs in force to 88, little more than half of the states with Comprehensive Safeguards Agreements (CSAs.)

¶ 13. (SBU) The DG also made some pointed remarks on the Agency's verification process and the Safeguards Analytical Laboratory (SAL). He noted the obligation to assess the veracity of information provided to the IAEA, and stressed the need for full cooperation and transparency from the State concerned given the Agency's limited legal authority. He reiterated assurances as to the anonymity of environmental samples sent to the Network of Analytical Labs but advised that the Agency could not independently validate results in some cases. ElBaradei used this as a pitch for refurbishing SAL at an estimated cost of 35 million Euros. With only a two million Euro pledge from Japan received so far, the "ball is in your court," he told Member States. He further noted that the Agency relied on Member State and commercial satellite imagery only as an auxiliary source to corroborate other information. (Comment: Although the DG made these comments in a general vein, they were clearly related to the Syria verification case; see ref c. End Comment.)

¶ 14. (U) Finally, the DG reported that 4.5 million Euros of the 2006 cash surplus had been secured for the Agency-Wide Information System for Program Support (AIPS). The remainder of the 10 million Euros needed for the first stage of AIPS would be sought from extra-budgetary resources and savings.

Agenda Item 2: TACC Report

¶ 15. (SBU) Board Chair Feroukhi began the discussion of the report of the Technical Assistance and Cooperation Committee (TACC) with a plea that the Board not re-open the agreement on approval of the 2009-2011 TC program, which had been the subject of laborious negotiations over the disposition of the Syrian feasibility study project in the November 24-26 TACC (septel). Only the EU, U.S. and Pakistan on behalf of the G-77 made substantive comments, and the Board approved the TACC report by consensus.

¶ 16. (SBU) France delivered the EU statement, noting that collectively it was the top contributor to TC and supported OIOS recommendations, including on Country Program Frameworks, which significant TC recipients have not completed. The EU underlined the need for guiding principles for TC to ensure the consistency of nuclear power projects, in particular, linkage to the Milestones document and other benchmarks as well as transparency in procurements for "umbrella projects," comments clearly aimed at the Syrian feasibility study proposal. The EU also called on states embarking on nuclear power to adhere to nuclear safety and security conventions. The U.S. statement likewise emphasized that nuclear power projects should track the Milestones document. The U.S. further urged timely implementation of OIOS recommendations on evaluation of TC activities, and greater internal coordination within the Secretariat on safety, security and nonproliferation.

¶ 17. (SBU) Pakistan stressed the great importance G-77 members attribute to TC assistance as the main vehicle for nuclear technology transfer to the developing world, and the need for assured, predictable and sufficient funding, as mandated by the General Conference. Also reflecting the contentious TACC debate on the Syrian project, the G-77 warned against interference in TC or micromanagement of the Secretariat, and concluded that any "political conditions" placed on TC weaken and undermine the credibility of the Agency.

Agenda Item 3: Draft Safety Requirements

¶ 18. (U) The Board approved the Draft Safety Requirements: Safety

Assessment for Facilities and Activities (GOV/2008/54) by consensus with supportive interventions by Switzerland, South Africa, Spain and, under Rule 50, the Republic of Korea highlighting the importance of the Agency's work on safety standards. South Africa noted that the safety requirements provide an excellent guide for Member States and contribute to enhancing the safety and security of nuclear facilities. Spain welcomed the draft safety requirements but questioned how the 2015 safety restructuring plan and the iteration of new safety standards would affect these existing safety guides.

Agenda Item 4: Funding for Physical Security

¶ 9. (U) The Board approved the extension of funding for physical security requested in GOV/2008/58 with a number of Board members (including the U.S.) registering dissatisfaction with the slow pace of security upgrades at the Vienna International Center. (Note: The UN Office in Vienna (UNOV) has overall direction of the project. End Note.) Cuba and Pakistan complained that such projects had been "imposed upon them" in the past and requested more information. DDG for Management David Waller outlined the reasons for the delays and noted that a series of briefings for Member States over the course of the project had been held, with another briefing planned in coming weeks. On the margins, he welcomed our criticism of UNOV as helpful to his effort to move the project along.

Agenda Item 5: Conclusion of Safeguards Agreements, APs

¶ 10. (U) The Board authorized the conclusion of an Additional Protocol with Zambia. Cuba, speaking on behalf of NAM, took note of Zambia's decision to enter into an AP. Australia warmly welcomed

Zambia's decision and encouraged all states to conclude APs, which strengthen safeguards and provide assurances as to the absence of undeclared nuclear material and activities. Australia noted that Comprehensive Safeguards Agreements together with APs are now the established safeguards standard. South Africa regretted that 30 non-nuclear-weapon States party to the NPT had not yet brought a safeguards agreement into force, and that more than 100 states have not concluded an AP. The Agency should be vested with the necessary verification tools, South Africa concluded, and it is incumbent on all States to provide all the support and assistance required to fully implement its verification mandate.

Agenda Item 5b: DPRK

¶ 11. (SBU) In his opening statement to the Board, the Director General made noticeably short remarks on DPRK. He updated the Board members that the Agency had resumed monitoring and verifying the shutdown status of the Yongbyon nuclear facilities, including the reinstallation of the IAEA's containment and surveillance equipment.

In a departure from his previous statements, the DG did not update the board on the status of disablement, i.e. the status of fuel discharge, but noted only that the Agency "has been monitoring disabling activities." He added that he remained hopeful that "conditions will be created" for the DPRK to return to the NPT and for the Agency to resume the implementation of comprehensive safeguards. The DG did not raise the issue of DPRK's NPT status, which he posited to Board members in June and September.

¶ 112. (SBU) The Six Party members present -- China, Japan, Russia, and the U.S., with South Korea speaking under Rule 50 -- delivered statements, as well as France on behalf of the EU, Australia, Canada, New Zealand, Malaysia, Switzerland, Egypt, the Philippines, and South Africa. Thailand also spoke under Rule 50. Six Party Talks received broad support as did an enhanced role for the IAEA in verification. The EU, Japan, and Canada joined the U.S. in reminding Board members that all states must abide by UNSCR 1718.

¶ 113. (SBU) China spoke first, recalling the significant progress made by the Six Party framework and announced the December 8 Head of Delegation (HOD) meeting with a view to advancing to a new phase in

the process. Russia reaffirmed the importance of the 2005 Joint Statement, and hoped disablement would be concluded as soon as possible. Russia also noted that verification must include IAEA specialists, due to their experience in this area. Japan observed that North Korea's intentions remain unclear in the talks, and cited a November 12 statement by a DPRK official that expressed a negative position on sampling. Japan also cited the IAEA's significant contribution to the denuclearization of North Korea. South Korea acknowledged the ups and downs of the process, but looked forward to the December 8 HOD meeting to establish a verification mechanism. South Korea stressed the essential role of the IAEA in verification.

¶14. (SBU) Like-minded countries looked forward to continued progress through the Six Party framework. New Zealand and Canada were reassured disablement was once again continuing. Australia and the Philippines called for a timetable for completion of disablement measures and for the conclusion of a verification protocol. The EU and Australia expressed concern over the slowdown in fuel unloading in recent months.

¶15. (SBU) The Philippines stressed the critical role of the Six Party Talks to achieve a peaceful solution to the nuclear issue in North Korea. Switzerland noted that the IAEA was not part of the Six Party talks and reminded Board members that the IAEA requested clarity on DPRK's NPT status. Switzerland raised the U.S.-DPRK verification agreement announced on October 11, calling it an "encouraging" development, but was concerned about the provision of access to undeclared sites being granted by mutual consent. Switzerland appealed to North Korea to rejoin the NPT. Under Rule 50, Thailand reaffirmed its full support of the Six Party process and advocated confidence building measures for continued dialogue and diplomacy.

¶16. (SBU) Board newcomers Egypt and Malaysia, which do not usually speak under the DPRK item, delivered positive statements supporting the Six Party Talks, and stressing the IAEA's essential role in the verification process. Egypt further requested that the Six Parties proceed in a way that "will strengthen the nonproliferation regime." Malaysia noted its appreciation for China's role as Chair of the Talks.

Agenda Item 6: Any Other Business; 20/20

¶17. (U) Opening the discussion of AOB, Board Chair Feroukhi summarized her informal consultations with Member States on follow-up to the Report by the Commission of Eminent Persons (CEP Report). She noted no objections to her proposal of forming open-ended "cluster groups" but little enthusiasm either (ref d). She emphasized that both the CEP Report and the Direct General's Background Report on 20/20 could serve as useful resources, but that Member States would decide which issues to pursue. Feroukhi entrusted stewardship of the process to Board Vice Chair Kirsti Kauppi of Finland.

¶18. (SBU) Pakistan (speaking on behalf of the G-77) greeted the announcement with cautious optimism. France, Canada, India, the U.S. and New Zealand raised questions about the parameters of the process, the anticipated outcomes, time frames, the structure of the debate, etc. Malaysia asked that financing technical cooperation be a specific objective. Chair Feroukhi eventually grew frustrated with what she characterized as the negative tone of the statements and exhorted Member States to be more "enthusiastic." She signaled her intention to continue the process she had proposed and then closed further debate.

¶19. (SBU) Comment: Private comments to Mission staff by DG ElBaradei and EXPO Chief Cserevny revealed Secretariat appreciation for the U.S. statement, which had been more cooperative and thoughtful than statements by other like-minded Members. ElBaradei, clearly disgusted by the nit-picking tone of some interventions, appealed for U.S. leadership going forward. If we do not set a tone and direction for this process, the DG counseled, the divisions inherent in the IAEA membership will doom the effort to modernize the Agency's agenda and operations.

AOB: SAL, RANF and Other Issues

¶20. (SBU) There was some consternation on the part of Board members who resented the fact that the Secretariat included a reference to an information report on SAL (GOV/INF/2008/15) under Any Other Business in parentheses, seeing this as a possible effort by the Secretariat to claim a Board imprimatur for Secretariat plans regarding SAL (by appearing to have prompted a Board review), when in fact, many Board members still have questions as to the way forward on SAL. As it turned out, only Japan addressed the proposed SAL upgrade and stated it was considering a "substantial contribution" to the project. Japan expressed appreciation for the Secretariat's continuing work, welcomed consultation with Member States, and hoped that plans would proceed in a timely manner. Malaysia announced the establishment of a new analytical lab, which it hoped could be added to the IAEA network.

¶21. (U) Russia announced that it would be making a contribution to the Nuclear Security Fund (1.5 million USD in 2010, one million USD annually 2011-15), highlighting its commitment to combat trafficking in nuclear materials. Norway announced its contribution of 5 million USD to the proposed IAEA-administered International Fuel Bank. The U.S. welcomed Norway's contribution, and noting its commitment of 50 million USD to the project, encouraged discussion of a concrete proposal at the March Board. The U.S. also welcomed Russia's financial contribution to Nuclear Security and Japan's announcement of a January 26, 2009 conference on fuel assurances. Privately, UK Del informed us that if the Secretariat advances an agenda item on fuel assurances for March 2009, the UK would in parallel host a conference on its enrichment bonds concept and related proposals.

¶22. (U) The EU announced an upcoming nuclear energy conference, and Malaysia is also sponsoring an international conference on nuclear energy partnerships.

AOB: DG Race / Term Limits

¶23. (SBU) South African Governor Minty, accompanied by a SAG Minister, held a news conference on the margins of the Board to mark the official submission of his candidacy by South Africa. Under AOB, Zimbabwe, as African Union spokesman, announced the first of its kind endorsement of Minty's candidacy for DG, following the unavailability of ElBaradei for a further term. Both the press conference and the AOB statement focused on Minty's commitment to peaceful use of nuclear energy and technology. Not to be outdone, Japan reaffirmed its strong support for Amano's candidacy and was seconded by Mongolia, also speaking under AOB. Mongolia noted the need for regional rotation of the Director General position, suggesting it was Asia's turn. South Korea also spoke in favor of "the Asian candidate" succeeding to the Director General's position.

¶24. (SBU) With prompting from the U.S. delegation (ref e instructions), Canada, the UK and Afghanistan advocated term limits for the Director General under AOB. Canada and the UK, also speaking on instructions, cited the 1997 UNGA resolution on strengthening the UN, which recommended term limits for executive heads of specialized agencies. The UK seconded Canada's request that this issue be added to the Board's agenda. Reading from our talking points, Afghanistan suggested that the DG election was an opportune time to reconsider term limits and called upon declared candidates for the position to endorse a two-term limit. (Note: The U.S. decided not to make a statement on term limits after Iran half-jokingly suggested in its intervention under the Iran agenda item that ElBaradei serve a further term to deal with its dossier. Afghanistan, as a NAM/G-77 member, was better placed to make a statement, which should also help dispel the impression that term limits is a Western/Geneva Group initiative. End Note.)